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CONFIDENTIALNATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20505

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DDI- 298942

MEMORANDUM FOR Nancy Bearg Dyke
Assistant to the Vice President
for National Security AffairsL. Paul Bremer III
Executive Secretary
Department of StateDavid Pickford
Executive Secretary
Department of the TreasuryRobert P. Meehan
Assistant for Interagency Matters
Office of the Secretary of DefenseRaymond Lett
Executive Assistant to the Secretary
Department of AgricultureJean Jones
Director, Executive Secretariat
Department of CommerceWilliam V. Vitale
Director, Office of the Executive Secretariat
Department of EnergyWilliam Schneider
Associate Director for National Security and
International Affairs,
Office of Management and Budget[Redacted] Executive Secretary
Central Intelligence AgencyDennis Whitfield
Executive Assistant to the USTRRoger Porter, Special Assistant to the President
for Policy Development, OPDJames Burnham, Special Assistant to the
Chairman, Council of Economic AdvisersCharles F. Stebbins, Executive Assistant to
the Chairman, Joint Chiefs of Staff**SUBJECT:**Senior Interdepartmental Group Meeting
re the Versailles Summit, April 6, 1982
10:00 a.m.**CONF****CONFIDENTIAL**

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The Senior Interdepartmental Group for the Versailles Summit will meet at 10:00 a.m. on April 6, 1982, in Room 305, OEOB.

Two draft documents, attached to this announcement, will be considered at the meeting:

- the "Strategy Paper" for the Versailles Summit
- a tasking memorandum, establishing responsibility and schedule for preparation of the President's Briefing Book.

A third draft document on the trade theme at the Summit will be circulated and discussed at a later meeting.

Agency representatives are requested to bring specific written comments, if any, on the draft tasking memorandum.

Michael O. Wheeler

Michael O. Wheeler
Staff Secretary

Attachments

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Versailles Economic Summit

June 4-6, 1982

STRATEGY PAPERNSC REVIEWED 8/2/07 NO OBJECTION TO DECLASSIFICATION AND
RELEASEU.S. Objectives

Theme: The President's central theme throughout the European trip will be to affirm shared Western values and to revitalize Western economic and military strength in support of these values. He will stress the importance of the alliance as a symbol of shared values, and as the key to the deterrence of war. He will project himself as a strong leader committed to the preservation of peace and freedom. At Versailles, the President will strike themes sounded at Ottawa to seek recovery on the basis of long-term fundamental policies of non-inflationary growth and propose new initiatives to move forward toward further liberalization of world trade, and to monitor and restrain the flow of credit to the Soviet Union.

Major Objectives:

- To confirm the necessity of reducing inflation, of promoting private sector activity, especially private investment, and of greater reliance on market signals as essential elements in revitalizing Western economies.

- To explore avenues for greater coordination or convergence of policies, thereby showing sensitivity to the international consequences of U.S. policy.

- To obtain a political commitment to (a) resolve problems facing the multilateral trading systems, without restoring to bilateralism or protectionist actions, (b) to extend the principles of free trade to new sectors such as services, investment, high technology and agriculture and to seek to include more fully new countries, such as the newly industrializing countries, and (c) to work for a productive GATT Ministerial this fall as an initial step in this direction.

- To reach final agreement among the Summit countries on the objective of, and a means for, monitoring and restricting the volume and terms of official credits to the Soviet Union.

Other Objectives:

- To initiate a process leading toward a framework for international investment flows, similar to the GATT for trade in goods, thereby enhancing the climate for free international capital flows.

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- To reiterate the importance of agricultural policy for development, as presented at Cancun, and propose extending the "food teams" concept to a multilateral basis.

- To focus energy discussions on the value of market forces in addressing the global energy problem, but also to acknowledge the need for greater attention to secure supplies of energy in the West.

Setting

The Annual Economic Summit takes place on June 4-6 in Versailles, France. This Summit is the eighth and the first of a new round of Economic Summits, which have become a major feature of the international economic system.

At Ottawa, President Reagan re-established U.S. leadership in the economic sphere by a forceful presentation and defense of his economic program. Despite sharp differences over interest rates, East-West trade and North-South relations, the communique issued at Ottawa reflected all of the United States' major objectives -- an upbeat tone, no hint of protectionism, unified albeit ambiguous positions on North-South and East-West issues, and a Chairman's Summary on political issues that expressed an extraordinary degree of consensus among the allies on the nature of the Soviet threat and the Western response to it. Much of the "upbeat" tone emanating from Ottawa can be attributed to the President's confidence that his economic program would lead to sharply lower inflation and sound, vigorous growth in the United States. While skeptical, the other participants adopted a "wait-and-see" attitude about the U.S. program, an imaginative and attractive economic plan that had not yet been fully implemented.

Economic and political events since Ottawa have worsened certain alliance issues, particularly in monetary, trade and East-West relations:

- severe recession in the U.S.;
- sharply rising unemployment throughout the industrial world (except Japan);
- persisting high U.S. interest rates;
- projections of massive budget deficits in the U.S. and Europe, especially in France;
- collapse of the U.S. Trigger Price Mechanism for steel imports and more aggressive European marketing for subsidized agricultural products;

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- heightened tensions within the EMS due to diverging economic policy among European countries; and
- imposition of martial law in Poland and tensions within the alliance over application of economic sanctions.

Given these events, the President's success at Ottawa will not be easy to duplicate. Even if economic activity is strengthening, unemployment in Europe will be at historic high levels, generating immense pressures for governments to "do" something. Meanwhile, many European leaders are engaging in a certain amount of "scape goatism" to transfer responsibility for their poor economic performance to the U.S., and U.S. interest rates in particular, rather than undertaking the necessary domestic policy actions to reduce inflation and revitalize growth in their economies. The poor macroeconomic setting, and the attempt to place blame on the U.S., will color trade, monetary and aid discussions.

As importantly, unless the U.S. economy is performing better than now expected by late Spring, the skeptics at home and abroad will be lobbying strongly for agreement on policy actions not consistent with our economic program. Economic difficulties will spill over into the more political discussions as well -- coloring the European approach to East-West relations, including Poland and Soviet credit restraint.

Views of Other Participants and U.S. Strategy

The French and other European Summit partners will stress short-term domestic economic issues -- unemployment, high interest rates, monetary policy -- with particular focus on U.S. economic policy. The United States prefers to stress longer-term and more international issues such as trade and East-West relations, to stress areas where progress has been made such as energy and North-South relations, and to play out the adverse consequences of domestic politics, such as subsidies, demand stimulus measures, etc. on multilateral trading and financial relations and ultimately on prospects for domestic recovery and growth.

All other participants in the Summit will cite high U.S. interest rates as the factor now troubling strong economic recovery or otherwise disturbing international economic relations. For the French and perhaps the Italians, the recommended solution involves expansionary fiscal and monetary policy to attack unemployment directly. Most, however, support a firm anti-inflationary stance by the U.S. (and for themselves), but are critical of the projected U.S. budget deficits which they believe are holding U.S. interest rates far above.

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justified levels. The concern about U.S. interest rates is tied to the dollar's role as an international currency, and the dominant influence of the Euro-dollar market over European interest rates. The Europeans, in particular, hold their position on all other issues, such as trade issues, restraint on credits to the Soviet Union, hostage to U.S. action on deficits and interest rates.

Japan will seek to avoid being isolated in the trade discussion, thus warding off direct criticism of its trade policies. In part, Japan will base its defense on the "undervalued" yen, caused by capital outflows attracted to the U.S. capital market by high interest rates.

For this setting, the U.S. must take the offensive by emphasizing positive objectives rather than dwelling on the criticisms of U.S. domestic policy. To this end, we have concentrated on the following topics in the preparatory process:

- greater economic policy coordination, especially as it relates to common objectives such as reducing inflation, controlling the growth of money supply, and promoting sound private sector growth;
- trade in the broadest sense as it relates to exchange of industrial goods, services, capital, and agriculture, to domestic adjustment policies, to technological innovation and to investment;
- energy security building on sound domestic market policies (which have been achieved now in most Summit countries) and international cooperation to protect against vulnerability of supplies; and
- East-West economic relations, with particular emphasis on means to avoid growing Western vulnerability to the debt build-up in the Soviet Union.

Improvement in the U.S. economy or altered expectations in the U.S. financial markets would significantly improve the climate at the Summit, and may make more achievable U.S. objectives in the international areas.

Versailles and NATO

The proximity of the Versailles Summit and the NATO Summit in Bonn makes particularly important a constructive meeting of the minds on the long-run economic prospects of the Western nations.

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The two Summits could set in motion a process of shaping a reinvigorated world economy system for the 1980s beginning in the trade area with the GATT Ministerial scheduled for November 1982. Convergence of views on economic policy and on a stronger economic future will go far to insure a more positive attitude toward Western defense needs at Bonn. The Summits should reaffirm fundamental Western values of political freedom and economic opportunity in the face of political/military challenge and economic failure of Communist systems.

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DRAFT

To: (Distribution List Here)

Subject: Versailles Summit - Briefing Materials

State Liaison: Marshall Casse - E; Rm. 7250 NS, 632-1089

RSC Liaison: Henry Nau - Rm. 392, OEOB, 395-6961

State S/S-S Project Officer: Tom White, Rm. 7241 NS, 632-8062

The President will participate in the Summit meeting of industrialized countries, to be held June 4-6, 1992 at Versailles, France. The purpose of this memorandum is to assign responsibility for the preparation of briefing materials to be included in the President's briefing book for the Summit; see Attachment 1.

The guiding principles for all Summit briefing material are brevity, clarity and, most importantly, relevance to the issues and level of the meeting.

Drafters should be particularly careful to include material on issues which the President's colleagues may raise, and provide appropriate responses. Drafters should also seek to insure that the President is informed of the economic and political constraints influencing his colleague's positions on the various issues.

Papers should be prepared on 8 1/2" by 11" plain white bond paper observing the sample formats at Attachment 2. Drafting and clearing information for all papers should be provided on a separate sheet.

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Overview papers should not exceed 5 pages; key issue papers should be as concise as possible and should not exceed one page; bilateral issues papers and country background papers should not exceed 2 pages in length.

The Executive Secretariat of the Department of State (S/S-S) will receive all briefing materials and assemble the briefing books. It is essential that all appropriate inter-agency clearances be obtained by the drafter prior to submission of papers to State S/S-S.

The following timetable has been established for briefing materials:

April 7: SIG meets to confirm tasking.

April 27: First cleared drafts of all papers due in State S/S-S.

May 17: Final papers due in State S/S-S.

Michael J. Wheeler
Staff Secretary

Attachments:

1. Table of contents designating drafting responsibilities for papers.
2. Sample formats.

Attachment 1

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VERSAILLES SUMMIT

President's Briefing Book

TABLE OF CONTENTS

- I. Scope Paper - will contain the President's objectives
in priority order, the substantive setting for
the objectives of other participants and US
strategy to achieve our objectives.

Length : 4-5 pages Drafter : NSC/State

- II. Annotated Scenario - the "script" for the entire
Summit from Andrews departure to Paris departure;
listing each event with bullets indicating the
participants, subject matter and objectives for
each event; cross-referenced with the rest of
the briefing book.

Length : As required Drafter : NSC/State

III. Overview and Key Issues Papers - Economic Topics

- An overview paper will be prepared on each major
substantive topic to be covered in Summit plenary
sessions. It will contain U.S. objectives, es-
sential background and analysis, other country
positions and a checklist of key issues.

Length : 4 pages Drafter : See below in
parenthesis

- Key issues papers - in "point/counterpoint" style,
if appropriate, will be prepared on all key issues
raised in the "Overview" paper and selected other
topics, as deemed essential.

Length : 1 page Drafter : See below in
maximum parenthesis

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A. Overview : Macroeconomics and International
Monetary Issues (Treasury/CEA)

Key Issues:

Interest Rates/Budget Deficits (Treasury)
Exchange Rate Policy (Treasury)
Economic Policy Coordination (Treasury)
U.S. Economic Situation (CEA)

B. Overview : Trade and Investment (USTR/Treasury)

Key Issues:

CAIT Ministerial (USTR)
Trade in Services (USTR)
Investment (Treasury/in conjunction with
State and USTR)
WTBS, Subsidies, etc. (USTR)
Sectoral Issues - Steel (USTR) ✓ *Com*
- Agriculture (Agriculture)
Reciprocity (USTR)
US/Japan (USTR)
Trade in High-Technology (USTR/Commerce) ✓

C. Overview : East/West (State)

Key Issues:

COCOM/Strategic Trade (State)
Financial Issues - Volume of Debt (Treasury/State)
Subsidies (Treasury/State)
Countertrade (~~State~~ Commerce)
E/W Trade Composition (State)
Yamal Pipeline (State/Commerce, etc)
- Alternatives

D. Overview : North/South (State/NSC)

Key Issues:

Global Negotiation (State/NSC)
Global Growth Conference (Treasury)
New Issues - US Contributions (Treasury)
- Energy Subsidies (Treasury)

*French will
pull again*

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North/South Key Issues: (Continued)

Caribbean Basin Initiative (USTR/State)
Multilateral Food Corps (AID)
LDC Economic Outlook (Treasury/CIA)
Population (State)

E. Overview : Energy (State)

Key Issues:

Energy Security (NSC)
European Energy Supplies (CIA) ←
U.S. Supply Developments (DOE)
Surge/Stockpiling (State/DOE)
Price Trends/Outlook (DOE)
Natural Gas - Pricing and Supplies (DOE)

nuclear
coal

F. Overview : Technology ~~(NSC)~~ (Commerce)

Key Issues:

High-Technology Trade Issues (USTR)
UN Code on Technology Transfer (State)
Paris Convention (State)
R&D Investment (Commerce)

IV Overview and Key Issues Papers - Political Topics

Overview : Political Topics Drafter : State

Key Issues :

A. East/West

Soviet Union
Poland

Arms Control : US/Soviet
(Preliminary to NATO Summit)
Afghanistan (contingency)

State

"

"

"

"

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B. Regional	State
Middle East	"
Lebanon (contingency)	"
Central America/Caribbean	"
including CBI	"
Southern Africa	"
China (contingency)	"
Southeast Asia (contingency)	"
C. Separate	
Law of the Sea	"
Terrorism	"
Nuclear Non-Proliferation	"

- V. **Bilateral Issues Papers** - will contain major issues between the US and each Summit country, including US objectives for bilateral meetings and topics the other Heads of State may raise with the President.

Length : 2 pages
per country

Drafter : State

- VI. **Country Background Papers** - two papers on each country -- one economic; one political -- providing information on the country pertinent to the issues likely to be raised at the Summit. Papers should cover major domestic economic and political constraints on policy, and provide a critique of economic policy in the country.

Length : 2 pages per
country per
paper

Drafter :
Economic Paper - Treasury/CIA ✓
Political Paper - State/CIA. ✓

VII. Texts/Talking Points for Major Statements

A. Presidential Statements:

- First Dinner - Political/Tone (State/NSC)
- Opening Plenary (NSC, with input from Treasury and State)
- Closing Press Conference (State)

B. Staff Documents:

- Draft Communiqué with USG critique
(to be assigned)

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ATTACHMENT 2

FORMATS

Overview Paper (4-5 Pages)I. U.S. Objectives and Initiatives

- A. Principal U.S. Objective - the top priority U.S. objective in the subject area, may be expanded to two items if essential.
- B. Supplementary Objectives - other objectives suitable for Presidential attention and possible Summit discussion, may include more specific objectives designed to reinforce the principal objective.
- C. Initiatives - specific proposals initiated by the U.S. for which Summit action is sought.

II. Background and Pre-Summit Preparation - a brief section indicating the "state of play" on this subject, both in the Summit Preparatory process and in relevant international forums, including the positions taken by the U.S.

III. Other Country Objectives and Stance on U.S. Objectives - section indicating objectives of other countries at Summit with brief comment on rationale for country's position, e.g., domestic constraints, traditional policy, unique features, and likely line-up of countries on issues.

IV. Discussion of Objectives -

- Brief elaboration of objectives
 - Key points to make
- } on each objective

Key Issues Paper (1 page)

I. Descriptive statement of the issue.

II. Essential factors, including significant country positions and rationale for U.S. position.

III. Key points to make, preferably in Point-Counterpoint format - use telegraphic style, but not overly cryptic.

Bilateral Issues Papers

(One paper per Summit country, 2 pages each)

I. Key Issues - Bilateral Issues Paper is intended to inform the President of the outstanding issues between the U.S. and each Summit country, and to indicate the overall state of relations with the country. Summit issues, adequately addressed in other briefing papers, need not be included.

II. State of Relations

- A. U.S. Perception
- B. Other country perceptions

III. Discussion of issues

- Brief elaboration of issue, if necessary
 - Key points to make
- } for each issue

Country Background Paper

(Two for each Summit country - one economic, one political - two pages each)

NOTE: These papers must concentrate on aspects of the country situation which are relevant to the objectives and issues to be discussed at the Summit, in particular they should give insights into the political/economic/social pressures, and policy philosophy, which lay behind positions the head of state will take at Versailles.

- I. Essential factors of economic or (political) situation - bullet format
- II. Brief economic (political) overview
- III. Domestic problems facing the head of state, including cogent statement of the problems and the domestic pressures brought to bear on it.